

activity and market data

Activity data

Table 1 Number of authorised investment products

	2009-10	2008-09	2007-08
Unit trusts and mutual funds	1,968	2,093	2,123
Investment-linked assurance schemes	239	235	229
Pooled retirement funds	34	35	36
Mandatory Provident Fund (MPF) master trust schemes	37	36	38
MPF pooled investment funds ¹	296	305	298
Others ²	25	129	157
Total	2,599	2,833	2,881

¹ 130 funds included in this category were offered both as retail unit trusts as well as pooled investment funds for MPF purposes.

² Other schemes comprised three investment-linked deposits, 14 paper gold schemes and eight REITs.

Table 2 Authorised unit trusts and mutual funds – breakdown by type

	Number	%	Total NAV ¹ (US\$ million)	%
Bond	329	18.24	249,376	26.91
Equity	1,100	60.98	470,019	50.71
Diversified	89	4.93	40,846	4.41
Money market	41	2.27	74,640	8.05
Fund of funds	82	4.54	6,635	0.72
Index	84	4.66	74,279	8.01
Guaranteed	61	3.38	1,616	0.17
Hedge	11	0.61	676	0.07
Other specialised ²	7	0.39	8,789	0.95
	1,804	100.00	926,876	100.00
Umbrella structures	164			
No. of authorised funds	1,968			

¹ Net Asset Value as at 31 December 2009.

² Includes Futures and Options Funds and Leveraged Funds.

Table 3 Authorised unit trusts and mutual funds – breakdown by origin

	Umbrella funds	Sub-funds	Single funds	Total	%	Total NAV¹ (US\$ million)	%
Hong Kong	27	83	60	170	8.64	31,892	3.44
Luxembourg	58	1,133	4	1,195	60.72	597,705	64.49
Ireland	32	246	2	280	14.23	196,093	21.16
Guernsey	2	1	0	3	0.15	1	0.00
United Kingdom	4	47	5	56	2.85	40,041	4.32
Other Europe	0	0	15	15	0.76	682	0.07
Bermuda	3	16	4	23	1.17	4,951	0.53
British Virgin Islands	2	4	0	6	0.30	25	0.00
Cayman Islands	36	145	32	213	10.82	9,371	1.01
Others	0	0	7	7	0.36	46,115	4.98
No. of authorised funds	164	1,675	129	1,968	100.00	926,876	100.00

¹ Net Asset Value as at 31 December 2009 (excluding "umbrella funds").

Table 4 Number of licensees as at 31 March 2010 (31 March 2009 in brackets)

	Corporations		Representatives		Responsible Officers		Total		% Change
Stock Exchange participants	422	(421)	10,736	(10,175)	1,378	(1,371)	12,536	(11,967)	5
Futures Exchange participants	116	(113)	926	(816)	120	(104)	1,162	(1,033)	12
Stock Exchange and Futures Exchange participants	56	(44)	2,852	(2,393)	291	(226)	3,199	(2,663)	20
Non-participants	1,037	(987)	16,016	(18,154)	2,631	(2,506)	19,684	(21,647)	-9
Grand total	1,631	(1,565)	30,530	(31,538)	4,420	(4,207)	36,581	(37,310)	-2

Table 5 Takeovers activities

	2009-10	2008-09	2007-08
Codes on Takeovers and Mergers and Share Repurchases			
General and partial offers under Takeovers Code	37	27	52
Privatisations	9	6	5
Whitewash waiver applications	41	34	39
Other applications under Takeovers Code	254	190	254
Off-market and general offer repurchases	9	7	3
Other applications under Share Repurchases Code	13	2	4
Total	363	266	357
Takeovers Bulletins	4	4	4
Executive Statements			
Sanctions imposed with parties' agreement ¹	1	0	2
Takeovers and Mergers Panel			
Meetings for review of the Takeovers and Share Repurchases Codes	1	5	3
Hearings before the Panel (disciplinary and non-disciplinary)	3	3	8
Statements issued by the Panel ²	1	3	3 ³

¹ Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases.

² Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases.

³ Figure for 2007-08 includes one Panel Statement comprising one substantive and seven preliminary decisions of the Panel.

Table 6 Authorisations of offer and marketing documents for unlisted structured products¹ offered to the public

	2009-10	2008-09	2007-08
Authorisations granted under section 105 of the SFO	24	61	145
Authorisations granted to register prospectuses under the Companies Ordinance	0	31	76

¹ The data includes the number of offer and marketing documents in respect of investment-linked deposits (2009-10 only), equity-linked investments, and structured notes.

Table 7 Authorisations of offer and marketing documents for renminbi (RMB) bonds

	2009-10	2008-09	2007-08
Authorisations granted under section 105 of the SFO	4	4 ¹	3 ²
Authorisations granted to register prospectuses under the Companies Ordinance	3 ³	3 ⁴	1 ⁵

¹ Include one RMB bond offering with a retail issue size of RMB1,500 million.

² Include two RMB bond offerings with an aggregate retail issue size of RMB3,500 million.

³ Three RMB bond offerings with an aggregate retail issue size of RMB5,974 million.

⁴ Three RMB bond offerings with an aggregate retail issue size of RMB4,500 million.

⁵ One RMB bond offering with a retail issue size of RMB1,500 million.

Table 8 Breaches by licensed corporations noted during inspections

Nature of breaches	2009-10	2008-09	2007-08
Failure to comply with Financial Resources Rules	12	25	30
Failure to safekeep client securities	7	16	34
Failure to maintain proper books and records	15	13	14
Failure to safekeep client money	21	19	28
Unlicensed dealing and other registration issues	6	0	5
Breach of licensing condition	1	2	2
Breach of requirements of contract notes / statements of account / receipts	30	30	32
Failure to make filing / notification	1	3	3
Breach of margin requirements	5	2	3
Illegal short selling of securities	2	1	0
Dealing malpractices	2	0	1
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission	132	154	105
Breach of Corporate Finance Adviser Code of Conduct	16	1	0
Breach of Fund Manager Code of Conduct	12	12	6
Non-compliance with anti-money laundering guidelines	6	23	23
Breach of other rules and regulations of the Exchanges	15	2	4
Internal control weaknesses	107	188	129
Others	51	56	41
Total	441	547	460

Table 9 Successful prosecutions – insider dealing*

Case	Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded (\$)
1	FONG Yen-hwung, Ryan	6.7.2009	1,372,218 and 12 months immediate custodial sentence	–
2	LAM Kar Fai, Allen	6.7.2009	69,000 and six months immediate custodial sentence	–
3	DU Jun	10.9.2009	23,324,117 and seven years' imprisonment	933,340
Total: 3 entities			24,765,335	933,340

* Cases where fines were below \$10,000 are not shown in the table.

Table 10 Successful prosecutions – market manipulation*

Case	Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded (\$)
1	ZHU Li	26.8.2009	10,000 and two months' imprisonment suspended for 12 months	39,942
2	CHANG Kar Hung	27.8.2009	9,000 and two months' imprisonment suspended for 12 months	28,263
3	CHAN Chin Yuen	13.11.2009	30 months' imprisonment	288,400
4	AU YEUNG Man Chun, Elaine	13.11.2009	26 months' imprisonment	288,400
5	CHAN Chin Tat	13.11.2009	26 months' imprisonment	288,400
6	CHUI Siu Fung	13.11.2009	26 months' imprisonment	288,400
7	LEUNG Man Kin	5.1.2010	160 hours' community service for each summons concurrently	16,570
Total: 7 entities			19,000	1,238,375

* Cases where fines were below \$10,000 are not shown in the table.

Table 11 Successful prosecutions – unlicensed/unauthorised activities*

Case	Activities/Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
Unlicensed investment adviser				
1	LAW Chun Pon	2.4.2009	10,000	39,975

* Cases where fines were below \$10,000 are not shown in the table.

Table 12 Successful prosecutions – disclosure of interests*

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	LIU Su Ke	2.6.2009	10,000	4,582
2	CHIU Suet Ying	25.6.2009	12,000	7,170
3	IU Chung	23.7.2009	24,000	6,677
4	Ming Yuan Investments Group Ltd	23.7.2009	24,000	6,677
5	DnB NOR Asset Management (Asia) Ltd	3.9.2009	18,000	11,075
6	Natural Beauty Bio-Technology Ltd	10.9.2009	18,000	8,685
7	LAU Chi Yung, Kenneth	24.9.2009	80,000	7,499
Total: 7 entities			186,000	52,365

* Cases where fines were below \$10,000 are not shown in the table.

Table 13 Successful prosecution – provision of false or misleading information*

Case	Defendants	Date of conviction	Penalty	Investigation costs awarded (\$)
1	KO Chung Ting, Peter	5.11.2009	150 hours' community service	27,185

* Cases where fines were below \$10,000 are not shown in the table.

Table 14 Successful prosecutions – failure to answer questions raised by the investigator

Case	Defendants	Date of conviction	Penalty	Investigation costs awarded (\$)
1	CHAN Chin Tat*	9.2.2010	one month imprisonment	–
2	CHUI Siu Fung*	9.2.2010	one month imprisonment	–
Total: 2 entities				

* Served the penalty concurrently with their sentences for market manipulation.

Table 15 Most significant disciplinary actions

Item	Company/Name	Date of action	Conduct	Action / SFAT decision
1	Tsun Chi Yuen Securities Company Ltd Tsun Chi Shing, Alfred	31.3.2010	Failure to prevent and stop one of its representatives from trading certain warrants in an abusive manner which falsely inflated their turnover	Reprimanded and fined \$2 million Licence suspended for 12 months
2	Fong Yen-hwung, Ryan	24.3.2010	Engaging in insider dealing activities	Banned for life
3	Li Kwok Keung, Asser	23.3.2010	Providing misleading information to the SFC	SFAT decided to suspend Li for 18 months
4	Hui Chui Yiu, Emily	16.3.2010	Conducting transactions in clients' accounts without consent from clients	Banned for two years
5	Hung Chi Wah	9.3.2010	Defrauding clients	SFAT affirmed the SFC's decision to ban Hung for life
6	Fukoku Investment (Asia) Ltd Wong Kin Man Anthony	25.2.2010	Failure to detect and stop an unlicensed firm from carrying out activities that appeared to be a boiler room scam	Reprimanded and fined \$2 million Licence suspended for two years and RO approval revoked
7	Chau Chin Hung, Edmond	28.1.2010	Engaging in market misconduct activities including false trading and price rigging	Reprimanded, fined \$2 million and banned for life
8	Chau Sik Ki	14.1.2010	Misappropriation for clients' assets	Revocation and banned for life
9	Karl Thomson Investment Consultants Ltd	12.1.2010	Sale of Minibonds	Karl Thomson repurchased Minibonds from 11 customers involving a return of around \$1.4 million to customers
10	Dah Sing Bank Ltd Mevas Bank Ltd	23.12.2009	Distribution of Principal Protected Notes (PPNs) issued by a Lehman Brothers group entity	Dah Sing and Mevas repurchased PPNs from about 529 customers involving a return of about \$72 million to customers
11	Grand Cathay Securities (Hong Kong) Ltd	17.12.2009	Distribution of Minibonds	Grand Cathay repurchased Minibonds from 37 customers involving a return of over \$30 million to customers
12	Cheung Sau Lin, Connie	17.12.2009	Failure to deter false trading and price rigging orders made by staff	Licence suspended for three years
13	Lam Kar Fai, Allen	23.11.2009	Insider dealing	Banned for life
14	Grand Investment (Securities) Ltd	2.11.2009	Failure to prevent clients from trading in an abusive manner	Reprimanded and fined \$3 million
	Lee Tak Lun		Failure to monitor clients' trading activities	Licence suspended for 12 months
	Chung Wing Han, Wendy		Failure to monitor clients' trading activities	Licence suspended for 18 months

Table 15 Most significant disciplinary actions (cont'd)

Item	Company/Name	Date of action	Conduct	Action / SFAT decision
15	Asia Pacific Securities Ltd Chan Yau Fung, Canice	22.10.2009	Breach of FRR requirements	Reprimanded and fined \$1.4 million Revocation
16	Sun Hung Kai Investment Services Ltd	12.10.2009	Insufficient internal controls to prevent staff misconduct	Reprimanded and fined \$4 million
17	Lin Ko Ming	5.10.2009	Failure to conduct properly as a responsible officer and breaching the GEM Listing Rules	Banned for seven years
18	Ko Wai Lun, Aaron	24.9.2009	Unauthorised trades; forgery of client signature; providing misleading information and lying to the employer	Banned for 10 years
19	Kwan Chi Shing, Stephen	8.9.2009	Misrepresentation in licence application	Banned for life as responsible officer and three years as licensed representative
20	Yenn Man Han, Stephen	26.8.2009	Placing manipulative orders and conducting wash sales in pre-opening and closing auction sessions for a number of stocks	Licence suspended for 12 months
21	Shun Loong Securities Co Ltd Wilhelm Soeharsono Budihardjo	19.8.2009	Failure to monitor clients' abusive trading activities	Reprimanded and fined \$2 million Licence suspended for 12 months
22	Yuen Shing Kuen	30.7.2009	Failure to take appropriate action on suspicious instructions received from a client	Licence suspended for two years
23	VC Capital Ltd	27.7.2009	Failure to conduct adequate due diligence as sponsor	Reprimanded and fined \$1.5 million
24	ABN AMRO Bank N.V. Bank of China (Hong Kong) Ltd Bank of Communications Co Ltd The Bank of East Asia, Ltd Chiyu Banking Corporation Ltd Chong Hing Bank Ltd CITIC Ka Wah Bank Ltd Dah Sing Bank Ltd Fubon Bank (Hong Kong) Ltd Industrial and Commercial Bank of China (Asia) Ltd Mevas Bank Ltd Nanyang Commercial Bank Ltd Public Bank (Hong Kong) Ltd Shanghai Commercial Bank Ltd Wing Hang Bank Ltd Wing Lung Bank Ltd	22.7.2009	Distribution of Minibonds	16 banks agreed to repurchase Minibonds from their customers. This involved an immediate return of about \$5.5 billion to more than 29,000 customers plus potential further return from collateral recovery. The banks also agreed to investigate and review complaints made by customers of other unlisted structured products and remediate them where appropriate. In addition, the 16 banks have engaged independent reviewers to comprehensively review their internal controls and complaint handling procedures.

Table 15 Most significant disciplinary actions (cont'd)

Item	Company/Name	Date of action	Conduct	Action / SFAT decision
25	Wong Wang, Ronnie	9.7.2009	Unauthorised trades	Banned for two years
26	Chan Sheung Ling	6.7.2009	Facilitating secret accounts and use incorrect report to compile financial return which was in breach of the Client Money Rules	Banned for life
	Li Agnes		Operating secret accounts and abusing employer's settlement process	Banned for life
27	Leung Yu Fung	25.6.2009	Misappropriation of clients' assets	Banned for life
28	Ng Shui King	23.6.2009	Failure to comply with account-opening procedures and received instructions from the unlicensed person without proper authorisation	Licence suspended for two years and six months
29	Chan Wang Fai	8.6.2009	Front running	Revocation and fined for \$930,000
30	Law Kai Yee	2.6.2009	Unlicensed leveraged forex trading	SFAT upholds SFC's disciplinary decisions to suspend Law's licence for two years and three months
	Ng Chiu Mui		Unlicensed leveraged forex trading	Revoked licence and banned for 10 years
	Tang Yuen Ting		Unlicensed leveraged forex trading	Banned Tang for nine months and fined \$1,455,496
31	Tanrich Futures Ltd	2.6.2009	Cold calling breaches	Reprimanded and fined \$4 million
	Yip Man Fan		Neglected management responsibility	Banned for nine months
32	Yip Kim Wah	19.5.2009	Conducted unauthorised and negligent trading resulting in client's losses	Banned for life
33	Pang Keng Chan	14.4.2009	Failure to take appropriate actions against suspicious instructions from a client	Licence suspended for two years
34	KGI Asia Ltd	5.4.2009	Distribution of Minibonds	KGI repurchased Minibonds from five customers involving \$1.6 million

Table 16 Requests for regulatory co-operation

	2009-10		2008-09		2007-08	
	In	Out	In	Out	In	Out
Enforcement-related requests for assistance	88	89	55	66	65	55
Licensing-related requests for assistance	144	847	263	926	254	1,004

'In' represents requests received, while 'out' are requests made.

Market data

Table 17 Statistical information and financial position of the Hong Kong securities industry¹

	As at 31.12.2009	As at 31.12.2008	As at 31.12.2007
Total number of securities dealers and securities margin financiers	769	741	691
Total number of active cash clients ²	957,651	918,750	924,131
Total number of active margin clients ²	138,772	113,823	110,043
Total number of active clients (+6%)	1,096,423	1,032,573	1,034,174
Balance Sheet	(\$ million)	(\$ million)	(\$ million)
Cash in hand and at bank ³	276,962	251,982	257,372
Amounts receivable from margin clients ⁴	40,160	17,217	41,765
Amounts receivable from clients and other dealers arising from dealing in securities	120,754	86,369	204,336
Proprietary positions	143,467	94,003	139,394
Other assets	137,182	141,203	205,965
Total assets (+22%)	718,525	590,774	848,832
Amounts payable to clients and other dealers arising from dealing in securities	263,372	211,565	333,904
Total borrowings from financial institutions	48,572	37,015	114,754
Short positions held for own account	36,891	11,186	50,909
Other liabilities	177,965	156,661	173,885
Total shareholders' funds ⁵	191,725	174,347	175,380
Total liabilities and shareholders' funds (+22%)	718,525	590,774	848,832
	12 months to 31.12.2009	12 months to 31.12.2008	12 months to 31.12.2007
Profit and loss	(\$ million)	(\$ million)	(\$ million)
Total value of transactions ⁶	46,347,239	53,923,632	64,704,725
Net securities commission income	31,676	40,120	55,560
Gross interest income	3,979	9,586	16,781
Other income ⁷	62,841	59,188	84,610
Total operating income (-10%)	98,496	108,894	156,951
Total overheads and interest expense	90,164	87,707	102,647
Total operating profit (-61%)	8,332	21,187	54,304
Net profit on proprietary trading	12,905	5,860	10,523
Net profit for the period (-21%)	21,237	27,047	64,827

¹ Data were extracted from the monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by licensed corporations licensed for dealing in securities or securities margin financing. Figures reported by an overseas incorporated licensed corporation carrying out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded from these computation.

² Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

³ Cash in hand and at bank includes trust monies held on behalf of clients amounting to \$114,352 million (31.12.2008: \$89,932 million).

⁴ Average collateral coverage (the number of times the aggregate market value of securities collateral deposited by clients covers the amounts receivable from margin clients on a given date on an industry-wide basis):

<u>As at 31.12.2009</u>	<u>As at 31.12.2008</u>
5.2	4.4

⁵ The value of shareholders' funds includes value of redeemable shares.

⁶ Total value of transactions includes trading in equities, bonds and other securities both in Hong Kong and overseas.

⁷ Other income mainly comprises inter-company management fee income, fund management income, corporate finance income and others.

Table 18 Comparison with overseas regulatory agencies

It is difficult to obtain detailed data, in a consistent format, for sensible comparison of key performance measures with other regulators and this is complicated further by the different mandates which each of these regulators have. Nevertheless, we have set out in this table some key data relating to the size of certain other regulators for the interest of readers.

All foreign currency amounts have been translated into Hong Kong dollars with the exchange rate on 31 March of each of the three years.

	2009-10	2008-09	2007-08
SFC (year ended on 31 March) ¹			
Number of staff	501	478	442
Total expenditure (\$ million)	730	684	585
US Securities and Exchange Commission (SEC) (year ended on 30 September) ²			
Number of staff	3,816 ⁵	3,656 ⁵	3,511
Total expenditure (\$ million)	8,689 ⁵	7,441 ⁵	7,046
UK Financial Services Authority (FSA) (year ended on 31 March) ³			
Number of staff (at year-end date)	2,800 ⁶	2,730	2,535
Total expenditure (\$ million)	5,207 ⁶	3,999	5,026
Australian Securities & Investment Commission (ASIC) (year ended on 30 June) ⁴			
Number of staff (at year-end date)	Data not available	1,698	1,669
Total expenditure (\$ million)	Data not available	1,585	1,950

¹ The SFC is an independent non-governmental statutory body funded mainly by a market levy and is responsible for regulating the securities and futures markets in Hong Kong.

² The US SEC is an independent, non-partisan, quasi-judicial regulatory government agency with responsibility for administering the federal securities laws.

³ The FSA is an independent non-governmental body funded by the firms it regulates. It has been given statutory powers to regulate the financial services in the UK including authorisation and regulation of deposit taking, insurance, mortgage lending, general insurance advice, mortgage advice and investment business.

⁴ The ASIC is an independent Commonwealth government body which enforces and regulates company and financial services laws to protect consumers, investors and creditors.

⁵ Budget figures extracted from FY2011 Congressional Justification.

⁶ Budget figures extracted from FSA Business Plan 2009/2010.